

City of Austin and ATI-Bioscience
Economic Development Agreement

STATE OF TEXAS §
COUNTY OF TRAVIS §

This Economic Development Agreement ("Agreement") is entered into between the City of Austin ("City") and The University of Texas at Austin, on behalf of its IC² Institute, Austin Technology Incubator, ATI-Bioscience ("University" or "ATI-Bioscience"), pursuant to the authority granted and in compliance with the provisions of the Interlocal Cooperation Act, Chapter 791, *Texas Government Code*.

WHEREAS, the City seeks to foster economic development and job creation in the high technology segment of the City's economy; and

WHEREAS, the City has previously provided funding to Austin Technology Incubator, a non-profit entity of the University, which provides assistance and expertise to start up Austin area high technology oriented firms, and these services help to maintain Austin as a high technology center; and

WHEREAS, ATI-Bioscience is a division of Austin Technology Incubator, intended to support developing Austin-area high technology firms that specialize in Bioscience technology, and the city desires to support the efforts of ATI-Bioscience; and

WHEREAS, ATI-Bioscience desires to work with the City to attain its economic development job creation goals in the high technology segment of the local economy, and

WHEREAS, City support for ATI-Bioscience as provided in this Agreement is an economic development program of the City, and is intended to assist in the development of the City as a Bioscience technology center; and

WHEREAS, the grant of public funds provided herein serve the City's goals of promoting local economic development, stimulating local business and commercial activity, and elimination of unemployment and underemployment, authorized under Texas Local Government Code Sections 380.001 and 380.002;

NOW THEREFORE, the City and the University, acting through its affiliated entity ATI-Bioscience, hereby agree to the following terms and conditions:

1. Findings. The above recitals are adopted as findings.
2. Payment and Scope of Work. The City shall pay to ATI-Bioscience four quarterly payments of \$31,250, for a total not to exceed ONE HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$125,000) per fiscal year. Each quarterly payment shall be made within 30 days of receipt of the quarterly reports to be delivered by ATI-Bioscience to City under Section 3 below.

ATI-Bioscience agrees to accept this funding for the purpose of fomenting the growth of the Bioscience industry in Austin by helping to catalyze the development of a talent network, enabling the formation of an angel investor group, and providing strategic business consulting services to new high technology startup companies which have been admitted into the ATI Bioscience program. Strategic business consulting services include, but are not limited to, market strategy, market validation, product strategy, fund raising, customer acquisition, and hiring of key management. These services will be provided during the City's fiscal year in accordance with the Scope of Work attached as Exhibit A. Payments to be made by the City under this Agreement shall be made from current revenues available to the City.

3. Report. A quarterly report is due on or before sixty (60) days following the end of each quarter. Quarters end on the following dates: December 31, 2007, March 31, 2008, June 30, 2008, and September 30, 2008. An annual report, which may contain the final quarterly report, is due on or before sixty (60) days following the end of the final quarter of this contract (September 30, 2008.) In conjunction with this annual report, ATI-Bioscience shall make a summary presentation in person to the City Council.
4. Term. The term of this Agreement shall be from October 1, 2007 through September 30, 2008. The provisions of Section 3 shall survive the termination of this agreement.
5. Communication. All communications with the City initially shall be directed to the Economic Development Manager and to the Creative Industries Development Manager, City of Austin, P.O. Box 1088 Austin, Texas 78767.

All communication with ATI-Bioscience initially shall be directed to the Director of ATI-Bioscience and the Director of ATI, ATI, 3925 West Braker Lane, 78759.

Either party may designate a different address at any time upon written notice to the other party.

6. Amendment. The Agreement may be amended only by an agreement in writing signed by the parties hereto. All prior or contemporaneous understandings and agreements related to the subject matter hereof are merged herein.
7. No Assignment. This Agreement is not assignable.
8. Default. If either the City or University should default in the performance of any obligations of the Agreement, the other party shall provide such defaulting party written notice of the default, and minimum period of thirty

(30) days to cure such default, prior to instituting an action for breach or pursuing any other remedy for default.

9. Termination. In the event the Austin Technology Incubator or ATI-Bioscience do not proceed to provide the services as contemplated by this Agreement, ATI-Bioscience shall notify the City in writing, and return to the City any funds provided hereunder, and this Agreement and the obligations on the part of both parties shall be deemed terminated.
10. Applicable Law. This Agreement is made, and shall be construed and interpreted, under the laws of the State of Texas and venue shall lie in the State courts of Travis County, Texas.
11. No Third Party Beneficiaries; No Joint Venture. It is acknowledged and agreed by the parties that the terms of this Agreement are not intended to and shall not be deemed to create any partnership or joint venture among the parties; and the further that the Agreement does not confer any rights, privileges or causes of action upon any third party. The city its past, present and future officers, elected officials, employees, and agents do not assume any responsibilities or liabilities to any third party in connection with the University, Austin Technology Incubator, or ATI-Bioscience operations.
12. Scope of Services. The parties agree to the provisions of Exhibit A, which is attached and hereby incorporated by reference.
13. Disclaimer. Except as expressly provided in this Agreement, University provides all goods, equipment, materials, services, personnel, facilities, and other items to City under this Agreement "as is", without warranties, guarantees, certifications, or representations of any kind. Notwithstanding any other provisions of this Agreement:
 - a. University expressly and specifically disclaims any warranties of title, merchantability, or fitness for a particular purpose, as well as all implied warranties, including any implied warranties arising from a course of dealing or performance or usage of trade;
 - b. University's maximum aggregate liability under this Agreement shall not exceed the amounts paid by City to University during the immediately preceding contiguous twelve (12) month period during the Term of the Agreement; and
 - c. University shall not be responsible or liable to City or to any person or entity claiming through City for special, incidental, indirect, or consequential damages, including without limitation lost or anticipated profits, revenues, or saving, even is University has been advised of the possibility of such damages.

IN WITNESS WHEREOF, the following duly authorized representatives of the parties have executed this Agreement to be effective from October 1, 2007.

For: CITY OF AUSTIN, TEXAS

For: THE UNIVERSITY OF TEXAS AT
AUSTIN, on behalf of its IC2
Institute, Austin Technology
Incubator, ATI-Bioscience

By: _____
Laura Huffman
Assistant City Manager

By: Urban Arredondo
Urban Arredondo
Assoc. Business Contracts Admin.

Date: _____

Date: 11/30/07

EXHIBIT A

FISCAL YEAR 2007-2008 City of Austin/ ATI Bioscience Agreement

SCOPE OF WORK

V1.1 September 28, 2007

1. Background

The City of Austin is providing The University of Texas at Austin, on behalf of its IC2 Institute, Austin Technology Incubator, with \$125,000 during the City's 2007-2008 Fiscal Year in order to help the City achieve its overall economic development program objectives. Below are specific performance measures that ATI Bioscience expects to be able to achieve with the City's financial support.

Over the years ATI has proven its ability to leverage its relationship with the City of Austin to create significant levels of economic growth. ATI has incubated over 150 companies that combined created over 3,000 direct jobs and over 7,000 indirect ones, generated over \$1.5 billion in revenues, and produced an estimated \$2,600,000 in tax revenue for the City.

The fundamental objective of the work being conducted under this Scope of Work during the 2007-2008 Fiscal Year is that of promoting job creation via startups. Startups that are able to successfully launch and grow represent a powerful and sustainable mechanism for long term economic development. ATI's history shows that the 150 companies that have been launched at ATI started off creating 2-3 jobs per company but, over time, have created an average of over 60 direct and indirect jobs per company. The ATI Bioscience program expects that proportionally equivalent results will be achieved over time with its own initiatives to foster Bioscience startup development.

2. Startup Company Acceleration

ATI Bioscience will deliver economic development benefits to the City of Austin by proactively identifying new startup companies in the Bioscience industry and working with them to accelerate their growth.

During the City's 2007-2008 Fiscal Year, ATI Bioscience will:

- 2.1. Build and maintain an Advisory Board of industry experts that will meet on a quarterly basis and be involved in the screening, selection, and mentoring of companies;

- 2.2. Develop a new startup company pipeline (Qualified Company Leads);
- 2.3. Work with the Greater Austin Chamber of Commerce, City of Austin officials, the Austin Technology Council's Austin Life Sciences Entrepreneurs program, and The University of Texas at Austin to incent those Qualified Company Leads that are not located in Austin to establish a presence in Austin;
- 2.4. Of the Qualified Company Leads, offer admittance to 2 of them into the ATI Bioscience program (Member Companies);
- 2.5. Deliver the following services to Member Companies on a quarterly basis:
An in-depth 1-2 hour strategic business review and milestone setting meeting with ATI Bioscience staff, one or more ATI Bioscience advisory board members and/or one or more industry or academic leaders for the purpose of accelerating their time to success;
- 2.6. Access to MBA student intern resources that will be tasked jointly between the companies and ATI Bioscience staff for the purpose of conducting projects that the companies believe will accelerate their time to success; and
- 2.7. Access to business seminars that provide educational content that will help them accelerate their time to success.

3. Marketing and Networking

To foment the overall growth of the Bioscience industry in Austin and help create additional momentum for the establishment of new companies, ATI Bioscience will embark on a marketing and education campaign. These efforts will highlight Austin as a center of entrepreneurial activity in the Bioscience industry, attract entrepreneurs to the region, and enable these entrepreneurs to develop the relationships the need to grow their businesses.

During the City's 2007-2008 Fiscal Year, ATI Bioscience will

- 3.1. Produce and distribute ATI Bioscience-specific marketing collateral;
- 3.2. Promote ATI Bioscience through a recurring newsletter;
- 3.3. Develop and maintain an ATI-Bioscience website;
- 3.4. Partner with the Austin Technology Council's Austin Lifesciences Entrepreneurs program in at least 3 events; and
- 3.5. Generate media coverage locally and nationally for ATI Bioscience and ATI Member Companies.

4. Startup Ecosystem Development Programs

4.1. University of Texas academic program partnerships

ATI Bioscience will develop partnerships key academic programs at the University of Texas at Austin who are producing Bioscience innovation that can form as the basis of new Bioscience companies.

During the City's 2007-2008 Fiscal Year, ATI Bioscience will:

- 4.1.1. Formally establish or renew partner relationships with at least 4 academic programs at the University of Texas;
- 4.1.2. Assist faculty and students in these programs in building new Bioscience businesses in Austin; and
- 4.1.3. Help ATI Bioscience member companies develop business relationships with these partners.

4.2. Bioscience Funding Networks

ATI Bioscience will lead the development of an angel investor network focused on providing seed capital to Bioscience companies in Austin. The Bioscience Angel Network will include investors with background and experience in the Bioscience industry. ATI Bioscience will also develop partner relationships with institutional investors for the benefit of member companies and the broader Austin Bioscience community.

During the City's 2007-2008 Fiscal Year, ATI Bioscience will:

- 4.2.1. Identify and recruit members to the Bioscience Angel Network;
- 4.2.2. Hold one or more meetings between the members of the Bioscience Angel Network and Bioscience companies in Austin seeking seed funding; and
- 4.2.3. Establish partner relationships with at least 2 venture capital firms focused on the Bioscience industry.

4.3. Bioscience Talent Network

ATI Bioscience will identify senior executive talent in the Bioscience industry and establish relationships with them in order to develop a Talent Network that ATI Bioscience member companies can tap to fill their own management teams and/or Boards.

During the City's 2007-2008 Fiscal Year, ATI Bioscience will:

- 4.3.1. Create and maintain a database of senior executive talent;
- 4.3.2. Develop relationships with those executives interested in assisting ATI Bioscience member companies; and
- 4.3.3. Facilitate the establishment of formal relationships between the executives and ATI Bioscience member companies.

4.4. Bioscience physical infrastructure

ATI Bioscience will work with other members of the Austin area community, including The University of Texas, Austin Community College, and other public and private organizations and initiatives, towards establishing physical infrastructure,

such as wet lab space, that can be used in a cost-effective manner by Bioscience entrepreneurs.

5. Reporting to the City of Austin

Each quarter ATI Bioscience will deliver a report to the City of Austin that highlights the progress made by ATI Bioscience in achieving each of the objectives set forth in this scope of work document. Report is due to the City of Austin within 60 days of end of reporting quarter. An annual report, which may contain the final quarterly report, is due on or before sixty (60) days following the end of the final quarter of this contract (September 30, 2008.) In conjunction with this annual report, ATI-Bioscience shall make a summary presentation in person to the City Council.

6. Release of Funds Statement

City of Austin shall release funds within 30 days of receipt of quarterly report in the amount of \$31,250 per quarter (1/4 of contracted \$125,000 annually).